Democratic Accountability:
The Third Sector and All

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Abstract

The state, the market and the voluntary non-profit sectors can be seen as each being characterized by a distinctive accountability regime. Those regimes focus on different subjects of accountability (actions, results and intentions, respectively) and on different mechanisms of accountability (hierarchy, competition and cooperative networking, respectively). Different regimes can complement one another, enhancing the democratic accountability of the system overall. They can also undercut one another, if their differences are not respected. Bringing the Third Sector under a market-style accountability regime, through 'public-private partnerships' based on competitive tendering, undermines the distinctive contribution that the Third Sector might make.

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Because they are motivationally and organizationally distinct, Third-Sector organizations are capable of doing many things that neither the state nor the market sectors can do reliably or well.

Markets notoriously fail in the face of positive externalities, for example. Profit-seekers prefer to free-ride rather than to contribute. But for community-oriented altruists of the Third Sector, the presence of positive externalities is merely an added inducement to contribute to such causes.[1] Within the state sector, non-market failures notoriously arise from rent-seeking, as profiteers attempt to co-opt the coercive power of the state to serve their private ends. But being voluntary organizations lacking any coercive powers, non-

[1] Weisbrod 1975. Assuming of course that people are 'agency altruists', who not only want the public good to be served but also want that to be done by their own hand. Were all they cared about the public good being promoted, by whomsoever's hand, each would try to free-ride on others' contributions, thus providing an 'altruism-failure' argument for government intervention (cf. Friedman 1962, pp. 190-1; Goodin 1988, pp. 155-7; Andreoni 1990; Rose-Ackerman 1997, p. 713). Such altruism usually has a limited focus on people in certain groups or certain situations, rather than the world at large; but while

profits are immune to that threat as well. In short: the Third Sector works where the states and markets fail, for reasons that are by now fairly well understood.[2]

Note well, however, that what enables the Third Sector to play that role in supplementing the other two sectors is that that sector *is* motivationally and organizationally distinct from the other two. Recalling that fact ought make us wary of arrangements, whether of 'partnership' or 'competition', that straddle the various sectors. The worry must be that, in bringing different sectors under the same yoke, the very thing that made the Third Sector a useful adjunct to the other two sectors — its organizational and motivational distinctiveness — risks being lost.

These concerns, too, are familiar. Faith-based organizations rightly worry that their sacred missions might be compromised by the conditions that the secular state imposes (and inevitably and rightly so) when subcontracting public functions to outside bodies.[3] Non-profits rightly worry that, in competing against for-profit organizations for public contracts, they will become not just interchangeable with but perhaps even indistinguishable from for-profit organizations, doing the same things in the same ways as for-profits would have done. And perhaps that, too, is inevitably and rightly so, given the 'level playing field' standards of fair competition that properly govern public tenders quite generally.

My focus here is on a particularly compelling case of that general conundrum: the implications for democratic accountability. Different sectors being accountable, each in its own complimentary way, can yield greater accountability across social institutions overall. But arrangements that straddle sectors (whether through partnership or competition) inherently blur the distinctions between the sectors. In so doing, those arrangements

the scope of such solidarity is less than universal, what is manifested toward people within its scope is a genuinely altruistic concern for (at least certain aspects of) the well-being of people.

[2] The corresponding 'Third Sector failures', presumably, arise from its loose links between principals and agents — the 'accountability failures' that this paper explores (cf. Herzlinger 1996).

[3] A recurring concern in Minow (2002).

undermine the accountability of each sector in its own terms and, hence, the interlocking system of social accountability overall.

The plan of the paper is as follows: After some preliminary remarks on the concept of accountability and its various conceptions (section I), I develop a basic typology of accountability regimes (section II), with each of the three sectors of society being predominantly associated with its own distinct type of accountability regime (section III). I then sketch complimentarities among these three accountability regimes, leading to greater accountability overall than if accountability was pursued in only one mode (section IV). Finally, I show (in section V) how certain ways of yoking the three sectors together in 'public-private partnerships' might undermine key features of the peculiarly non-profit accountability regime, thus diminishing its distinctive contribution to the overall grid of social accountability.

I. Accountability, Concept and Conceptions

Accountability is a concept that takes a three-part predicate. Accountability is *of* some agent *to* some other agent *for* some state of affairs.[4]

Political accountability of a democratic sort is most familiar, nowadays. There the accountability is *of* elected officials *to* their electorates *for* their performance in office.[5]

That modern, democratic version of accountability piggybacks, of course, on much earlier notions of the accountability: that *of* a servant of the Crown *to* the Sovereign *for* the performance of his or her duties. Historically, such accountability was serious stuff, was

[4] Cf. Mulgan 2001; Brody 2002.

sufficiently terrifying to induce Cardinal Wolsey to transfer his newly-built palace at Hampton Court to his liege lord for one famous example. Modern administrative accountability pales in comparison. But we still talk of the accountability *of* public servants *to* elected officials (and through them to the electorate in general) *for* their performance in office.

Corporate accountability refers to the accountability *of* a firm's managers *to* its owners *for* their conduct of the affairs of the firm. This is where accounts and accountants come into their own.

In the case of partnerships or joint-stock companies, the owners are plural. That gives rise to political-style mechanisms of accountability at partners' or stockholders' meetings. Political those meetings may be, but they are hardly democratic: the rule is not one-person-one-vote but one-share-one-vote; and the franchise, far from being universal, is limited to those with a share in the firm.[6]

If the firm is publicly-listed, that gives rise to further layers of accountability: *of* the owners-and-managers *to* public officials (and through them to elected officials, and thence the electorate at large) *for* fair dealing as specified by relevant statutes and regulations.[7] Thereby arise the duties of publicly-listed companies to provide public accounts, compiled according to recognized and accepted accounting standards to ensure there is no fraud or deception, along with the duties not to engage in corrupt practices (insider-trading, etc.).

Those are very familiar forms of accountability in the first two sectors. It is often alleged that accountability is conspicuously lacking in the Third Sector.[8] There it is unclear

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[5] Although that is often in tension with a service agency's being also accountable to its clients (OECD 1987, pt. 1, ch. 1).

[6] Indeed, with a 'voting share', insofar as there are non-voting shares.

[7] And paradoxically of regulators to the regulated: the liquidators of the bankrupt Australian insurer HIH are suing the government for 'regulatory failure', in not detecting and giving notice of financial problems in another company HIH took over, leading to HIH's own collapse (ABC 2002).

[8] Herzlinger 1996; Brody 2002. The charge clearly has the sector worried (Independent Sector 2000).

to whom officers of the organization are to be held to account.[9] In the non-profit sector there is simply no equivalent to 'voters' in the state sector or 'shareholders' in the market sector. And necessarily so, in the case of non-profits: the latter feature (the absence of any category of 'residual owners' akin to shareholders) is the defining feature of a non-profit organization.[10]

Still, non-profit organizations *are* typically legally incorporated. Their articles of incorporation serve to constitute the 'body corporate', provide for officers to be authorized to act on its behalf and specify purposes of the organization. Just as with other corporations, these articles incorporating non-profits give rise to the accountability *of* officers (directors, trustees) of the body corporate *to* other officers (and through them to members of the organization entitled to vote for officers) *for* their conduct of the affairs of the organization in accordance with its stated aims and principles.[11]

Depending on their aims, non-profit organizations may or may not seek tax-exempt or 'charitable' status. Those that want to engage in politics, to the extent of promoting the election of specific parties or candidates to office, are ineligible.[12] (Political parties are a prime example of bodies which are incorporated as non-profit organizations but which are not tax-exempt.) If a non-profit is also tax-exempt, then yet another layer of accountability arises: *of* managers and officers of the organization *to* tax authorities (and through them to

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[9] The 'Compact on Relations between Government and the Voluntary Sector in Wales (UK Secretary of State for Wales 1988) offers the following laundry list: 'Voluntary and community organisations and volunteering interests recognise their responsibility to be accountable to the different parties that have an interest in their work, including:

* their members;
* the people who use their services;
* the communities in which they work;
* the general public and funding bodies that support their work;
* the regulatory bodies that oversee their activities'.

[10] As emphasized by Robert Clark (1997) in his insightful remarks at the opening of the Hauser Center.

[11] As indicated by the fact that standing to bring a derivative suit against a 'public-benefit' (as distinct from 'mutual-benefit' or 'religious') non-profit corporation is typically limited to '(1) state attorneys general, (2) directors of the corporation [and] (3) members of the corporation ... [who] have "the right to vote for the election of a director or directors"'. Donors and those relying on benefits from the non-profit are typically denied standing to sue, and in that sense at least are not among the people to whom

elected officials and thence the electorate at large) *for* complying with the terms of their tax exempt status.

Beyond these specific accountabilities, of course, there is also the general accountability *of* all persons *to* public authorities (and through them the public at large) *for* complying with such statutes and regulations as lawfully govern their conduct. This extends from specific statutes applicable to specific activities through general provisions of company law to the most general precepts of the law of contracts, torts, trusts and so on. It is these contractual and fiduciary responsibilities that give rise to, for example, the accountability *of* officers of non-profit organizations *to* their donors *for* using donations as specified by the donors.

Looking beyond legal relations, there is the even more general accountability *of* all moral agents *to* the moral community at large *for* acting in accordance with the moral law. This gets spelt out differently by different people, depending on their view of morality, of course. But it often takes a more concrete, conventional form in cases of role-responsibilities, which officers of private as well as public organizations sometimes powerfully internalize.[13]

Finally, there are various strategic factors that make people behave responsibly and responsively towards one another, even in the absence of any formal or informal relations of accountability. Under this heading falls the accountability *of* non-profit corporations *to* their donors *for* acting in accordance with their wishes — if they ever expect to get any more money from those donors, or from others who might take the experience of those donors to be indicative of their own prospective fates. And insofar as the nonprofits want to have any influence on politics or policy, they pragmatically need to go about their business with a

officers of the non-profit are accountable (Anon. 1992, pp. 1594-5; see similarly ALI-ABA 1987, sec. 6.30).

[12] In both the US (Anon. 1992, pp. 1656-77) and England and Wales (Charity Commission 1999).

measure of openness and transparence that is only rare and grudgingly accorded to shareholder meetings in the commercial sector.

II. Dimensions of Accountability Regimes: The Basic Typology

We could, and for other purposes perhaps should, explore in far more detail all of those formal modes of accountability: the precise instruments giving them effect; the duties to which they give rise; the rights, powers and remedies that they afford. For the particular purposes of the present exercise in analytic political theory, however, we can abstract from all those interesting and important details to identify three distinct regimes of accountability, loosely associated with each of the three different sectors (state, market and non-profit, respectively).

What I propose doing, here, is analogous to what welfare-state researchers do with their notion of welfare regimes. They know fully well that any given country's welfare arrangements are a complex bundle of different policies and programmes, enacted at different times for different purposes, animated by different principles and aiming at different objectives, organized in different (often fundamentally different) ways. Still, it can be powerfully illuminating to abstract away from that complexity and to concentrate on certain generic forms of 'welfare regimes'. No country fits any of the models perfectly, but some come pretty close; and even for those that are an irreducible amalgam, those more abstract models help us think through the tensions and dynamics associated with such hybridization.

Here I aim to do something similar for accountability regimes. I fully acknowledge the complexity of detailed arrangements, merely hinted at by the glosses offered above. But

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[13] This is one of the key findings of Day and Klein's (1987) survey of officials responsible for five different public services in the UK.

having done so, let me step back from those complexities to allow some larger patterns of accountability to come into view.

Different accountability regimes, I shall argue, are distinguished along two dimensions: the *subject* of accountability and the *mechanism* of accountability.

There are of course many other dimensions along which accountability regimes might be distinguished. But these two dimensions seem to me to be the most perspicacious in illuminating the differences that of most concern, here.[14]

A. The Subject of Accountability

The 'subject of accountability' refers to what people are accountable *for*. What do people have to explain, when called to account? In what terms must an acceptable explanation be couched?

Of course, in the detailed workings of accountability regimes, people are held responsible for all sorts of different things. But abstracting away from the detail, we can say that there are generically three distinct kinds of things that people might be held accountable for:

their actions;

their results; or

their intentions.

[14] Another dimension of accountability might concern the 'addressee' of accountability — to *whom* one is accountable — with actors in the state sector being (ultimately) accountable to voters, in the market sector to investors and in the non-profit sector to donors. But especially as regards the Third Sector, that seems to me to seriously mistake means and ends: donors are undeniably necessary, there: but the cause surely matters more than the dollars, there; and it is that that non-profits surely ought try to maximize, subject to the constraint of having to raise sufficient donations. To treat donations as the maximand, for the non-profit sector, would surely be to parody its *raison d'etre*.

The first possible subject of accountability concerns what people *did*. Were their *performances* as prescribed (or proscribed) by the dictates of duty, or within the range of their legitimate prerogatives? If this is the subject of accountability, giving an adequate account consists in showing that you did the right (or an alright) thing.

The second possible subject of accountability concerns what happened as a *result* of what people did. Were *good consequences* produced? If this is the subject of accountability, giving an adequate account consists in showing that what you did produced good effects.

The third possible subject of accountability concerns *why* people did what they did. What were their *motives*? What outcomes were they *attempting* to produce? If this is the subject of accountability, giving an adequate account consists in showing that your aims and intentions were pure.

Perhaps these three subjects of accountability do not necessarily exhaust all logically possible ones. It is nevertheless worth observing that those do loosely correspond to the three main 'methods of ethics': deontology, consequentialism and virtue ethics, respectively.

B. Mechanisms of Accountability

'Mechanisms of accountability' refer to the *devices* that serve to secure whatever it is (actions, results or intentions) for which people are accountable. They are instruments for calling people to account, for judging the adequacy of the accounts rendered, and for bringing sanctions to bear for failures to produce an adequate account. Wherever these mechanisms are effectively in place, we can have some substantial confidence that accountability (of the particular sort in view, anyway) will be secured.

Any actual system of accountability usually employs a mixture of mechanisms. But generically there seem to be three distinct mechanisms by which people might be held accountable:

through *hierarchical* systems of command and control;

through the *competitive* discipline of the market and cognate systems of social control; or

through *cooperative networking*, monitoring and sanctioning with a group sharing similar norms and values.

The first mechanism of accountability operates through an authority relationship. Subordinates are accountable to their superiors, who are accountable to their own superiors in turn. Sanctions ensue if superiors deem their subordinate's performances wanting.[15]

The second mechanism of accountability operates through the clash of interests and perspectives, orchestrated so as to ensure that good outcomes ensue. Exactly what that latter clause entails depends upon what accountabilities the competition is supposed underwrite. If the accountability in question is to God's will, trial by ordeal might (depending on the particulars of one's theology) suffice to secure it. If the accountability in question is to the common good, as the market's purports to be, then the competition must be further hedged by the constraints (of the law of property, tort and contract) that are required to underwrite that in a reliable fashion.

The third mechanism of accountability operates through praising or shaming and shunning, among a network of coequals sharing a common culture of similar norms and values, goals and principles. That inevitably gives rise to punishments on one side, to praise and rewards and encouragements on the other. The mutual adjustments that ensue often seem to have a strategic, bargaining-like side to it, with people offering rewards or punishments with a view to evoking behaviour more in line with their own preferences and perspectives.

But what is distinctive about accountability through shared values is that the mutual adjustment is not purely 'partisan'; the evolution of norms is not wholly instrumental.[16] Generally, participants genuinely internalize values shared by others within their network, and critiques of their behaviour based on those shared values.

Again, I have no knock-down argument that these three mechanisms of accountability exhaust the realm of all possible such mechanisms. Still, they loosely correspond to the principal types of sociopolitical processes identified by students of social control over the past century.[17]

III. Three Accountability Regimes

My central theses are as follow:

- the *state sector*'s accountability regime focuses relatively more heavily on the *actions* of public officials as its subject of accountability, and it relies relatively more heavily upon *hierarchical* authority structures as its characteristic mechanism for achieving accountability;
- the *market sector*'s accountability regime focuses relatively more heavily on *results* (mainly but not exclusively financial) as its subject of accountability, and it relies relatively more heavily upon unfettered *competition* (mainly but not exclusively between firms in the economic marketplace) as its characteristic mechanism for achieving accountability;

[15] The traditional model of 'superiors and subordinates' can alternatively, and more interestingly (as well as more descriptively, perhaps) be described in terms of 'specialization in monitoring and sanctioning', as Geoff Brennan has helpfully suggested.
[16] Cf. Lindblom 1965; Axelrod 1986; March and Olsen 1995, ch. 2.

the *non-profit sector*'s accountability regime focuses relatively more heavily on *intentions* as its subject of accountability, and it relies relatively more heavily upon mutual monitoring and reputational sanctioning within a *cooperative network* of like-minded others as its characteristic mechanism for achieving accountability.

These propositions are encapsulated in Table 1

Table 1: Accountability Regimes across Three Sectors

	subject of accountability	**mechanism of accountability**
state sector	actions	hierarchy
market sector	results	competition
non-profit sector	intentions	cooperative networks

Let me enter two caveats straightaway. First, these are 'ideal typic' characterizations. Not all states are purely (or even predominantly) hierarchic, just as not all markets are purely (or even particularly) competitive. And, all the more so, not all non-profit accountability structures, as practiced at present, are necessarily cooperative in the ways I shall be describing. My claim is merely that that is an ideal to which non-profits, and they far more than other sectors, can aspire. That is what potentially makes them importantly different in their accountability practices from the other two sectors.[18]

[17] Dahl and Lindblom's (1953) categories were: 'hierarchical control by leaders'; systems of competition to exercise 'control over leaders' (via the 'price system' economically, the competitive political processes of 'polyarchy' electorally); and 'control among leaders' (which they dub, misleadingly as I have said, 'bargaining'). Some such partitioning is inchoate in many discussions in these realms. For example, the longer laundry list of mechanisms Ross (1901) discusses in his remarkable book, *Social Control*, can be assimilated to the first and last of this trio, with his 'political' mechanisms mapping onto my 'hierarchical' and his 'ethical mechanisms' mapping onto my 'cooperative. Williamson's (1975) *Markets and Hierarchies* obviously correspond to my categories two and one, respectively.

[18] Within any given state: accountability o *etre* f states to one another in the international system could, and perhaps ideally should, also take this same form.

As a second caveat, I should also acknowledge from the start that in the real world each sector contains some elements of all these accountability regimes.[19] No non-profit regime is sensitive *only* to intentions and wholly unsensitive to results, for example — any more than any market regime can afford to be *wholly* oblivious to actions (laws restricting certain sorts of actions are constitutive of markets, after all). What my ideal regimes types aspire to do is merely to describe 'dominant tendencies' or 'distinctive possibilities'. None of the three sectors, in the real world, is a pure type of any of these ideal-typic accountability regimes.

A third caveat is that the particular combinations of 'subjects of accountability' and 'mechanisms of accountability' shown in Table 1 do not reflect any deep necessary connections between items in the second and third columns. What they reflect, instead, are merely characteristic practices of agents in the first column. It is the traditional accountability practices of the state sector, and those alone, that forge the connection shown there between 'actions' as the 'subject of accountability' and 'hierarchy' as the 'mechanism of accountability'; and so on down the list.

A. The State Sector: Action-based, Hierarchy-based Accountability

It is only a slight exaggeration to say that, within the public administration, the two greatest sins are to perform an action either 'arbitrarily' or 'ultra vires'.[20] What public officials are typically accountable for, within the accountability mechanisms of administrative law and

[19] As we would well hope, thinking that that is the best way of making them mutually supportive of one another.
[20] de Smith and Brazier 1989.

administrative appeal, is acting within the scope of their authority and giving reasons for their action.[21]

The reasons do not have to be 'good' reasons, or even the official's own 'true' reasons. They merely need to be among the legitimate grounds on which the official would be entitled to make a decision. While a court or administrative appeals tribunal might conduct a 'rationality review', it is merely to ensure that some legitimate reason was given: that the decision was not 'arbitrary' in this special, technical sense of that term. In general, no court or administrative appeals tribunal will query the substantive merits of the decision.[22] The scope of the official's accountability simply does not extend that far.

The characteristic subject of accountability within the state sector is, thus, to be accountable for what one has done — the *actions* one has performed or failed to perform — rather than for the results that flowed from those actions or for one's intentions in so acting. For public officials, accountability requirements are characteristically satisfied when they show that the action was within the scope of their official powers, and that some reason (within the scope of legitimate reasons) was given for the action. Accountability procedures in the state sector do not enquire particularly deeply into results ('was it on balance the *right* decision?'), nor do they enquire particularly deeply into intentions ('were those the official's *real* reasons?').[23]

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[21] Behn (2001, p. 13) calls this the 'accountability bias' in the public service: 'Accountability holders concentrate on finances and fairness. They give much less attention to [substantive] performance'.

[22] Even when they do, courts do not query the substantive merits too closely. They conduct a 'proportionality review' to assure treatment is not wildly disproportionate across like cases. They satisfy themselves that action was 'not unreasonable', rather than asking whether it was the uniquely right thing to do. In negligence actions, they will only apply a minimal 'reasonable man' test in determining whether the 'duty of care' has been discharged. And so on.

[23] Except perhaps where hypersensitivities associated potential discrimination against *Caroline Products* style insular minorities might be concerned. The issues of accountability with which I am principally concerned here arise predominantly in constitutional and administrative law. If we broaden our gaze to accountability under the critimal law, intentions are clearly central to issues of mens rea. Note that the early history of even the criminal law, however, was characterized by a focus on actions: distinctive wrongs which it was the task of the criminal law to label and proscribe (Horder 1997). I am grateful to Niki Lacey for these observations.

Traditional public sector mechanisms of accountability operates (or anyway classically did) through a set of nested hierarchies that serve as public-sector mechanisms of accountability. The public sector traditionally governs through command-and-control, externally, and through chains of command, internally.[24] Subordinates are accountable to superiors, who are accountable to higher officials in turn, who are (after however many more iterations) accountable to elected officials who are accountable to the electorate. The electorate thus sits at the pinnacle of a large set of nested hierarchies that constitute 'the state'.[25]

In a democracy, the public is ultimately the sole source of sovereign authority, and it is the public to whom all public officials ought ultimately be accountable. But only elected officials are accountable to the public directly.[26] All other officials are accountable to the public indirectly, 'through' the officials (elected and appointed) to whom them are themselves directly accountable.

Unsurprisingly, this daisy-chain of accountability breaks relatively quickly. Passing accounts through others is akin to a game of Chinese whispers, with all the slippage that that entails. Elected officials systematically exploit the slippage, never more blatantly than in the recent Australian 'children overboard' scandal. One would like to think that institutions of a free press and vibrant opposition might effectively constrain that phenomenon, but again that Australian case points to severe limits in the extent to which that is practically possible.[27]

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[24] 'Classically', because of course many have urged, with much success, that command-and-control mechanisms be replaced with looser management by objectives or by prices (Kneese and Schultze 1975) and that hierarchies be replaced by looser networks in systems of 'joined-up government' (Gore 1993; Considine 2002).

[25] Mulgan 2000.

[26] Usually: although lower officials can, in most jurisdictions (but only recently in Britain, for example), be called to account in public hearings of the legislature, on pain of contempt; and they usually can be prosecuted in courts of law, and held to account in that way (unless can claim immunity on grounds they were acting within the scope of their official duties).

[27] During the xenophobic election campaign of 2001, it was alleged that some aspiring refugees intercepted in a boat still in international waters had thrown their own children overboard, in an effort to force the Australian Navy to pick them up and land them in Australia. The Minister offered press photos in proof. But naval officers immediately informed their superiors that the photos in question were of another incident, the next day, when the boat sank and both refugees and their children had to be

A remedy of sorts used to be found in the old (now substantially defunct) British tradition of ministerial responsibility, whereby the elected official formally in charge of a ministry assumed responsibility for all that happened within it, even in cases where there was no realistic way the minister could have known about or prevented the events in question.[28] But while this is a good model of 'responsible government', in the sense of always giving us someone to blame, it is hardly a model of 'accountable' government, in the sense of giving us someone from whom a first-hand account can sensibly be demanded.

Note however that this is a feature not only of the peculiar British model of 'responsible government'. It is also characteristic of hierarchical models of political accountability quite generally, whereby lower officials are accountable 'through' higher officials ultimately to the public at large. The account is passed through many hands. The agent who was the efficient cause of the event is subject to the direct scrutiny of the public at large only in extraordinary cases.[29]

This is where other accountability regimes, and other sectors, come into their own, supplementing the sort of accountability regime that we typically find within the state sector. At the macro level, politicians in a democracy are required to enter into the political marketplace, engaging in a periodic competition for people's votes; and non-profits join in pressing their broad social concerns (in a 'non-partisan' way, if they want to retain tax-exempt status, of course) in the course of that campaign. At the micro level, state officials subcontract public services to providers in the market or non-profit sectors, hoping that this 'purchaser-provider split' will bring better accountability (by results or by intentions) than the

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plucked from the sea. In the heat of the election campaign, however, the message was 'lost' somewhere in the upper echelons of the (these days, increasingly politicized) civil service. See Australia Senate Select Committee 2002, esp. chs 6-7 ('The failure to correct the record' and 'Accountability' respectively).

[28] Rather like the way in which owners of vicious dogs are held strictly liable for the actions of their pets, just as if they bit the neighbour themselves. Day and Klein (1987, ch. 2) report that accountability for things over which they have no effective control has been an increasingly dominant feature of ministers' lives in Britain over the past half-century or more.

sort of accountability obtainable through the hierarchical action-based regime that predominates in the state sector itself.[30] All the while, the Third Sector stands (sometimes ineffectual) guard against political money allowing the corporate sector to circumvent the democratic process and undermine accountability of elected officials to the public at large.

B. The Market Sector: Results-based, Competition-based Accountability

In the market sector, the subject of accountability is typically the financial 'bottom line'. That is basically what officers of a firm are held accountable for, when facing their shareholders.[31] Those are the terms in which officers of a firm give an account of themselves, internally.

The accountability regime of the market sector has an external face as well. The way the market sector justifies itself, both to society at large and to consumers in particular, is similarly in terms of results. The market, it is said, maximizes (economic) well-being of the community as a whole. When the market sector as a whole is held to account by the community (as opposed to particular managers being held to account by their shareholders), those are the results-based terms in which the market gives its account.

The mechanism of that sort of accountability, within the market sector, is competition. The speculations of Mandeville and Smith as formally proven by Arrow and

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[29]The same is true with firms in the market sector: one does not know or care who within the firm is responsible for mistakes; one simply takes one's business elsewhere, if the results are unsatisfactory.

[30] OECD 1987. Le Grand 1991.

[31] Clark (1997) has shareholders saying to managers, 'You are supposed to maximize our financial well-being. You meet your specific defined duties to everyone else. You pay taxes to the government, fulfill contracts to customers, obey the environmental laws, do right by your employees in accordance with the labor laws. You do all that, but what you're really supposed to maximize is the financial well-being of us, the owners, and by the way, we have the power to kick you out if you don't do it'. Significantly, the device social reformers choose for trying to make firms more socially responsible is couched in similarly results-based terms: 'the triple bottom line', incorporating social and environmental as well as financial results.

Debreu show that (under certain ideal conditions) each attempting to maximize his or her own well-being maximizes the well-being of everyone overall.

The hypothesized ideal conditions of perfect competition virtually never obtain in the real world, however. Externalities, natural monopolies and concentrations of market power abound. Where competition is less than perfect, any guarantee of the market sector's accountability to society at large can be seriously compromised. That is where the other sectors and their distinctive accountability regimes come into play, holding the market sector accountable, politically or socially, when it is not competitively. And that is where the Third Sector has a very particular role to play in pressing politicians to take action against powerful corporate interests which, in the absence of that countervailing public pressure, may well have utterly dominated political life.

C. The Non-profit Sector: Intention-based, Network-based Accountability

As I said at the outset, accountability as applied to the non-profit sector is a much less well-articulated notion. The formal legal accountability that derives from non-profits' articles of incorporation is thin stuff. Furthermore, many of the other sorts of accountabilities typically in play there — duties to obey the law and honour one's contracts, together with more diffuse duties of a moral sort — are nowise confined to the non-profit sector alone.

Here I shall offer an analysis of the accountability regime that is in one part very familiar and in the other part less so. The familiar part concerns the non-profit approach to what I have called the 'subject of accountability'. The novel part concerns what I have called the 'mechanism of accountability'. There, I suggest that network-based accountability could

(and maybe should; and maybe even sometimes does) characterize the non-profit sector, and it predominantly (if not quite utterly uniquely).

<u>i. Intentions as the Subject of Non-Profit Accountability</u>

It is a familiar fact, of signal importance, that non-profits are motivationally distinct.

This motivational distinctiveness shows up, firstly, in how non-profits raise much of their labour and most of their funds — through voluntary donations rooted in altruistic concern with 'the cause'.[32] The fact that non-profits are pursuing charitable purposes rather than private profits is crucial in justifying the tax exemption that they enjoy.[33]

By reason of both selection and self-selection, managers of non-profits are committed to 'the cause', rather than merely to maximising profits or managerial efficiency.[34] That fact is central to the conventional analysis of why, in a world of imperfect information and incomplete contracting, we prefer to trust non-profits rather than profit-seeking corporations: they may not be as efficient, but at least they internalize the 'right' goals (which is to say, the goals we too espouse) rather than serving us only as a means of making a profit for themselves.[35]

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[32] Hansmann 1980, pp. 840-1. Alexander 1987. Rose-Ackerman 1996, pp. 702-15.

[33] *That* a charitable purpose is crucial is clear on the face of statutes all the way back to the original Elizabethan Statute of Charitable Uses of 1601 (see, latterly, Internal Revenue Code § 501(c)(3 1988; Charity Commission 2002b, ¶ 20-3); *why* the statutes should be written in that way is a more vexed issue (Anon. 1992, pp. 1612-34).

[34] Behn 2003, pp. 52-5. That is to say, ordinary incentives cannot work insofar as outputs are opaque (Brennan 1996).

[35] Newhouse 1970, pp. 65 ff. Hansmann 1980. Smith and Lipsky 1993, pp. 26-31. Rose-Ackerman 1996, 716-7. Minow 2003, p. 6.

That motivational distinctiveness is a stylized fact about non-profits, the truth of which is an open empirical question. Some evidence seems to suggest that that stylized fact is indeed true.[36] But whether or not it is true does not really matter for present purposes. My point is not that non-profits *are* necessarily more deeply motivated by the charitable purposes around which they are notionally organized. My point, instead, is that that enquiry into their motives is much more central to holding them to account than such enquiries would be in either of the other two sectors.

What non-profits, their managers and workers are responsible *for* — their 'subject of accountability' — is, to a much greater extent than in the other two sectors, manifesting good intentions appropriate to the non-profit's formal goals. When asked, 'please explain', motives figure more centrally among the terms in which those explanations must be cast than with agents in other sectors. That is what is distinctive about the accountability regime of the non-profit sector: the substantially greater extent to which the right intentions, in and of themselves, there count as a satisfactory account.

Certainly good intentions are not *all* that count, even in the non-profit sector. Competence in pursuing them matters, too.[37] I hesitate to suggest that good intentions are even the *main* things, when it comes to giving a good account of oneself in the Third Sector. All that I want to suggest is that good intentions count much *more*, in the accountabilities of non-profits, than they do in any other sector.

It is this substantially greater weight given to intentions, as compared to results or actions, which is distinctive about the accountability regime of the non-profit sector along the dimension of the 'subject of accountability'.

[36] Minow (2002, p. 13), for example, recalls 'a study of Texas hospitals indicat[ing] that public hospitals afforded greater charity health services than non-profits, including Catholic hospitals'. See further Kapur and Weisbrod (1999).

[37] And market-style 'accountability for results' becomes ever more central as public and private funders increasingly demand outcome-based measures in evaluating nonprofit performance (Smith 2002, pp. 166-7; Young and Salamon 2002, p. 429; DeHoog and Salamon 2002, 335-6).

ii. Network-based Mechanisms of Non-profit Accountability

As regards the distinctive 'mechanism' of accountability in the non-profit realm, my analysis is somewhat less mainstream.

To be sure, the phenomenon I shall be describing — networking among Third-Sector actors to achieve political results — is increasingly familiar in the real world, particularly in transnational politics (Sikkink, 1993; Keck and Sikkink, 1998; Fox and Brown, 1998; Brown, 2003). The interpretation I put on it is, however, slightly different. Networking among NGOs is generally seen more in strategic than accountability terms. It is seen as the way the Third Sector operates. It is seen as the Third Sector's way of forcing accountability on *other* actors (ranging from firms through national governments to the World Bank).[38] My proposal is that we should see that networking as also being a mechanism by which non-profits are *themselves* held accountable.

Whether or not the Third Sector currently conceives its own accountability in network-based terms, that mode of accountability constitutes a distinctive *possibility* which is open to the Third Sector much more than to the other two sectors. For that reason if no other, I therefore feel justified in describing it as 'the' non-profit sector's distinctive accountability regime.

In developing this model, I shall be building on analyses of network-based accountabilities from various other realms: how non-governmental organizations are (or could be) held accountable, transnationally or domestically; how coordination is (or can be)

[38] The Alliance for Nonprofit Management, for example, uses an open network method to promote better accountability (Light, 2000: 32-4; Brody, 2002: 482, 491). But the impression given is that this is not because the Alliance sees this as a distinctive form of accountability uniquely suited to the non-profit sector, but merely because networking is how non-profits do things quite generally.

achieved interdepartmentally, within the New Public Management ethos of reinvented government; how coordination has traditionally been achieved in the 'coordinated market economies' of Continental Europe. Such analyses are as yet rarely applied to problems of non-profit accountability as such, but I nonetheless hope they will resonate among those *au fait* with developments there.[39]

Let us begin by considering briefly how goals of coordination, accountability, positive responsiveness and mutual adjustment are accomplished in those other disparate realms.

> Internationally, many commentators fear that power is being exercised by a range of organizations that themselves suffer a serious deficit of democratic accountability. Transnational non-governmental organizations (NGOs) are formally accountable to virtually no one; and while there are strong informal pressures for them to be accountable to publics funding and supporting them, that often makes them accountable to the wrong people.[40] Intergovernmental-organizations (IGOs) are accountable to the governments of their various member states, which are accountable in turn (after some fashion or another) to their own people in turn.[41] But accountability based on 'one-state, one-vote' (or worse) is a far cry from a system of democratic accountability based on equal representation of all affected interests, which is conspicuously absent on the world stage.[42]

[39] I am reassured that Brown (2003) finds it useful to analyze in much the same way the mutual accountabilities among NGOs and other actors involved in the 1980s campaign against the Mount Apo Thermal Plant in the Philippines.

[40] Keohane (2003, pp. 22-3) remarks, 'NGOs' claims to a legitimate voice over policy are based on the dsiadvantaged people for whom them claim to speak, and on the abstract principles that they espouse. But they are internally accountable to wealthy, relatively public-spirited people in the United States and other rich countries, who do not experience the results of their actions. Hence there is a danger that they will engage in symbolic politics, satisfying to their internal constituencies but unresponsive to the real needs of the people whom they claim to serve'. The growth of NGOs in developing countries over recent years may, however, put paid to this particular concern.

[41] Nye 2001. 'Mike Moore was appointed by democratically elected governments', some may say. But 'between someone who actually got elected and the director general of the WTO, there are so many miles that, in fact, he and his staff are accountable to no one' (Lori Wallach, quoted in Keohane and Nye, 2002: 225, cf. 229).

[42] 'By that formula, a citizen of the Maldive Islands would have a thousand times more voting power than would a citizen of China', Nye (2001, p. 4) observe – although as he goes on to add, 'on the other hand, treating the world as a single global constituency in which the majority ruled would means that the more than 2 billion Chinese and Indians could usually get their way. (Ironically, such a world would

Both domestically and internationally, regulatory power is often and increasingly exercised by non-state actors. This extends from the financial discipline exercised over states by private agents like Standard and Poors when rating sovereign risk to the regulatory power delegated to groups like the Royal Society for the Prevention of Cruelty to Animals[43] or the General Medical Council which oversees the self-regulation of medical practitioners within the National Health Service. In the penumbra lie a range of 'private overseers of national governments', including 'international NGOs such as Amnesty International, Transparency International and Greenpeace International'.[44] Many of these

> non-statutory private regulators operate complete regimes in the sense of having the capacity to set standards, to monitor and enforce without the intervention of other organizations. Where this is the case they wield more power than those public regulators which are constrained by the need to follow standards set by legislatures or government departments and to pursue litigation in order to apply legal sanctions. There is thus a remarkable concentration of private power over public organizations. This is perhaps most striking with those private regulators operating internationally whose judgements on such matters as financial or fiscal credibility, probity or greenness significantly affect decisions of notionally democratic governments.[45]

The problem, there, is how to hold such private power publicly accountable.

Another problem domestically is how to ensure coordination and accountability for activities of government that straddle conventional lines of departmental responsibility, as is increasingly common under the influence of New Public Management theories ('reinvented government'; 'joined-up government'; etc.).[46]

The problem within Continental European economies is how to coordinate the choices of firms, and hold them accountable to their financial backers, while avoiding the cutthroat

be a nightmare for those antiglobalization NGOs that seek international environmental and labor standards, since such measures draw little support from Indian or Chinese officials.)'

[43] 'Which operates in the manner of a specialized police service over public and private sectors — its functions include the monitoring the welfare of police dogs' (Scott 2002, pp. 62-3).

[44] Scott 2002, p. 60.

[45] Scott 2002, p. 74.

[46] Christensen and Lægreid 2002. Behn 2001.

competition and short-term imperatives characterizing share markets driven by the threat of hostile take-overs.

So how are these coordination and accountability challenges met, within each of those realms? Well, slightly differently in each. But across all those realms there is a pattern of 'network-based accountability' that I want here to apply to the Third Sector.

Transnationally,

> key regimes for governance [long] operated like clubs. Cabinet ministers or their equivalent working in the same issue-area, initially from a relatively small number of relatively rich countries, got together to make rules. Trade ministers dominated the General Agreement on Tariffs and Trade; finance ministers ran the IMF; defense and foreign ministers met at the headquarters of NATO; central bankers convened as the Bank for International Settlements. They negotiated in secret, then reported their agreements to national legislatures and publics. Until recently, they were largely unchallenged.[47]

In response to recent challenges, NGO representatives are sometimes co-opted onto the governing bodies of IGOs (a prime case in point being the World Commission on Dams); but since NGOs are often not themselves very accountabile to anyone, incorporating them might merely exacerbate the democratic deficit.[48]

The real solution to securing accountability in such settings is through monitoring and reputational sanctioning among a group of like-minded others. The key agents, here, are networks of like-minded people sharing a common core of norms and values, mutually internalizing the views of one another. Domestically,

> US institutions that are deliberately insulated from elections — in particular, the Supreme Court and the Federal Reserve Board — routinely publish their deliberations or opinions, so that not only the results, but the reasoning and disagreements involved, can be publicly known. These institutions are held accountable through criticisms by professional networks, such as legal scholars writing in law journals and economists writing scholarly articles and offering opinions in the public media.[49]

Internationally, likewise,

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[47] Keohane and Nye 2002, p. 220. See similarly Slaughter 2000.
[48] Keohane and Nye 2002, pp. 239, 236.

> Professional associations create and maintain transnational norms to which IGOs, NGOs and government officials can be judged accountable. The practice, by non-governmental organizations and the press, of 'naming and shaming' of transnational corporations with valuable brand names also provides a sort of accountability.[50]

'An important counter to international private power generally is the formation of networks of governments and regulatory authorities, often organized around particular scientific areas..., seeking to meet the challenges of private networks of power through the development of equivalent or interdependent governmental communities'[51] – and then drawing private actors themselves into that community. Being 'strongly embedded within a wider community' of this sort may 'offer a legitimate alternative to control through democratic government channels'.[52]

Certainly it constitutes a form of accountability, anyway, and one that is potentially just as strong as the accountability that is secured through state hierarchy or market competition. How exactly it relates to democracy, and wherein lies its legitimacy, are issues to which I shall return below.

New Public Management likewise replaces, or supplements, 'traditional vertical accountability with new forms of horizontal recognition'. That horizontal model re-construes 'accountability as ... responsiveness, obligation and willingness to communicate with others' across the various agencies (the various government departments, quasi-governmental organizations and private contractors) constituting the relevant policy community responsible for the 'joined-up government' of, and service delivery in, that sphere.[53] The accountability that comes with these new forms of governance is, then, the mutual accountability agents and

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[49] Keohane and Nye 2002, p. 230.
[50] Keohane and Nye 2002, pp. 239-40.
[51] Scott 2002, p. 76
[52] Scott 2002, p. 75.
[53] Considine 2002, p. 21. See further Barker 1982; Rhodes 1997.

agencies linked in networks in pursuit of common projects, responsible to one another for their good-faith contributions to the shared task.[54]

Finally, consider the accountability regime within the distinctively Continental European variety of capitalism. These are 'Coordinated Market Economies', with the 'coordination' coming through 'dense networks linking the managers and technical personnel inside a company to their counterparts in other firms on terms that provide for the sharing of reliable information about the progress of the firm'. This occurs through 'close relationships ... between companies and their major suppliers and clients, ... extensive networks of cross-shareholding and joint membership in active industry associations that gather information about companies in the course of coordinating standard-setting, technology transfer and vocational training'.

Because 'firms sit inside dense business networks from which potential funders can gain a considerable amount of inside information about the track record and projects of a firm'; and that in turn 'provides companies with access to finance that is not entirely dependent on publicly available financial data or current returns. Access to this kind of "patient capital" makes it possible for firms to retain a skilled workforce through economic downturns and to invest in projects generating returns only in the long run', thereby often outperforming the more Liberal Market Economies of the North Atlantic.[55] 'Informal rules' and 'shared understandings' lie at the heart of the sort of 'network reputational monitoring' that characterizes coordination and mutual accountability within Continental European economies of this sort.[56]

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[54] Barker 1982. In the spirit of the New Public Management paradigm, Behn (2001, p. 126) proposes 'A compact of mutual, collective responsibility: 'an undertaking in which every member makes a mutually supportive commitment to every other member and to their common purposes... It is not a vehicle that competitors can use to impose accountability on each other. Instead, it is a ... compact in which people seek to identify their common interests and foster cooperation...'

[55] Hall and Soskice 2001, pp. 22-3.

[56] Hall and Soskice 2001, pp. 13, 23.

After this long detour, let us now return to the issue of the accountability of non-profits. My proposal is that we model the distinctive accountability regime of the non-profit sector in broadly the same way.

Other mechanisms operate too, of course. (There is no pure case of any ideal type.) But what is or could be really distinctive about accountability in the Third Sector is this: Non-profits concerned to serve some public good and enmeshed in a network of others — other non-profits, locally, nationally and transnationally; government and quasi-governmental organizations, locally, nationally and transnationally; donors and sponsors, both public and private; contractual or otherwise.[57]

What all the parties across a network of related non-profits share is a commitment to some particular common purpose.[58] Each no doubt conceives it slightly differently; some inevitably have private interests operating alongside their interest in the shared cause. And in some cases the differing conceptions or conflicting interests will put a group 'outside the pale' altogether. But among the broad group of those that are 'members of the club', each internalizes the views of the others, to some greater or lesser extent, as to how good a job they are doing.

Such networks operate essentially on the basis of trust and reputation. Trust and a reputation for trustworthiness is what lays the basis for cooperation among agents do not *have* to cooperate.[59] A paradigm case of such agents are non-profits, which are bound to others neither by hierarchical authority nor shared commercial interests.

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[57] For one small example, Lyons and Chan (1999, pp. 11-13) offer evidence that non-profit employment agencies were more inclined to work collaboratively with one another and share job vacancies, whereas for-profit agencies were less likely to do so.

[58] Just as all of the non-profits comprising the network themselves 'self-conscious collectivities of shared sentiment that take on voluntary activities consistent with those sentiments' (Smith 1993, p. 85). Networks are subject-specific. But they are also multiple, porous and overlapping. Just as there are often interlocking directorated coordinating the market sector, so too there are invariably networks of networks straddling the non-profit sector.

[59] Kreps 1990.

Thus, whilst acknowledging that there are other elements of accountability sometimes at work as well, I propose that what is (or could be) really distinctive about the accountability regime of the Third Sector is that it is based on mutual monitoring of one another's performance within a network of groups, public and private, sharing common concerns.[60] That, I suggest, is the principal mechanism of accountability across the Third Sector in general; and it is something that, while also found in other sectors, is generally a distinctly subordinate element in the accountability mix characterizing those other regimes.

D. Too Neat?

As already acknowledged, there are elements of each accountability regime to be found in every sector.

The market sector has clearly elements of hierarchy. (Just think of firms, and the internal authority relations between superiors and subordinates within them.) Accountability in the market sector is sometimes for actions (officers of firms are held accountable for illegal acts, and not just because they are bad for business). And, as already discussed, in some places (famously including Continental Europe and Japan) the market sector itself is substantially coordinated and held accountable through network-based cooperative mechanisms associated more with the non-profit sector.[61]

So too with the state sector, accountability is mixed. For a start, competition (of politicians for the votes of the electorate) is obviously absolutely central to systems of

[60] Thus, for one small example, non-profit hospitals' concern with 'prestige' rather than 'profit' leads them to weight 'quality' more heavily than 'quantity', as compared to for-profit hospitals (Newhouse 1970, pp. 65 ff.).

accountability in any democracy; and candidates, parties and interest groups are all rightly drawn into this competitive accountability process. Different departments of state and different levels of government, particularly in a federal system, compete with one another, often fiercely. Insofar as the state contracts with private suppliers, it typically does so through a process of competitive tendering; and much of the policy dynamic within government is driven by competition between departments of state (between spending departments versus revenue-raising departments, and among competing departmental claimants for funding). So too, in the world of New Public Management, is there much network-based accountability for cooperative activities that cross departmental lines and the hierarchical lines responsibility therein.

In the non-profit sector, likewise, accountability mechanisms have elements of hierarchy. Among them are obviously those entailed by the employment relationship of non-profits with their own employees. There are also elements of hierarchical-style accountability of a classically public-sector sort (tax-exempt non-profits in Britain for example are accountable to the Charity Commission, which is accountable to Parliament, which is accountable to the electorate).[62] Furthermore, non-profits are accountable not only for good intentions but also for their actions (illegalities, for example) and for their results. They are accountable for meeting performance objectives stipulated in contracts with public and private agents. The consequences of medical malpractice are no less actionable in non-profit hospitals than in for-profit ones; and non-profits are increasingly accountable for meeting 'performance objectives' stipulated in contracts with public and private agents.[63] More generally, managers are blamed, even in the non-profit sector, if their organization conspicuously fails to achieve its aims, however good their intentions.

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[61] Indeed, sociologically that is perhaps the way most successful businesses operate (Macaulay 1963; Collins 1999).
[62] Charity Commission 2002a, p. 41.
[63] Smith 2002, pp. 166-7. Young and Salamon 2002, p. 429. DeHoog and Salamon 2002, pp. 335-6.

So none of these constitute pure cases. Still, the accountability regime I associate with each sector can, I think to say, be seen as the 'dominant motif' of accountability relations within each sector. There are other elements interspersed, to be sure. But the *principal* way in which each of these three sectors is held accountable — the *basic* mechanism at work — is the accountability regime I here associate with each.

V. Tri-sectoral Democratic Accountability

Theories of democratization tend to have an unfortunate 'one size fits all' aspect to them, inter-sectorally as well as internationally.[64] Democratizing non-elected institutions, both within the state sector and beyond it, is typically interpreted as mimicking key features of elective representative democracy.

Thus, for example, 'democratizing' the bureaucracy is often seen as a matter of making it more 'representative' of the citizenry as a whole[65] — in just the same way as the Reform Acts democratized the legislature. 'Democratizing' the economy is sometimes seen as a matter of expanding shareholding and participation in the labour market — in just the same way as expanding the franchise and participation in politics makes that more democratic. Other times 'democratizing' the economy is seen as a matter of increasing workers' control in the affairs of their firms — 'shopfloor democracy', modeled on 'town meeting democracy'.[66]

The same is true of calls for 'democratizing' the Third Sector. Those often amount to pleas for giving everyone affected by organizations' activities more of a say in their

[64] Whitehead, 1996.
[65]Krislov 1974.
[66] Pateman 1970; Greenberg 1986.

decisions[67] — thus equating democratic accountability in the Third Sector to democratic accountability in the political sphere. Both the UN and European Union, for example, form consultative or partnership relations with non-governmental organizations only on condition they have suitable internal accountability mechanisms in place.[68] Other times, 'democratizing' the Third Sector is construed in terms of making it suitably pluralistic, so that there is some non-profit representing every interest — just as, in idealized pluralist democracy, there is some lobby group representing every interest.[69]

I do not dissent from any of those proposals. They may be good ideas, too. All I wish to add is that there is another way of democratizing society. Instead of holding each and every sector to the *same* criteria of democratic representativeness, we can democratize our institutions as a whole by holding each sector accountable according to some *complementary* sets of criteria.

The idea is as old as notions of checks and balances and the division of labour. Those arrangements may work imperfectly, in practice, in any given instance; but it is clear enough how they might work, in theory. Different branches of government representing different interests, each with substantial (if not quite veto) power over the other, might well produce outcomes that are more responsive to the general interest.[70] Different people specializing in different tasks might well produce outcomes better for all than any could have achieved alone.

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[67] Fung 2003.

[68] Resolutions of the UN Economic and Social Council (1996, § 12) permit it to establish 'consultative relations' with non-governmental organizations only on condition that, 'The organization shall have a representative structure and possess appropriate mechanisms of accountability to its members, who shall exercise effective control over its policies and actions through the exercise of voting rights or other appropriate democratic and transparent decision-making processes' (see further Lempien 1999; Brown and Moore, 2001; cf. Keohane 2003). Likewise, the White Paper on *European Governance* of the European Union's Commission (2001, pp. 4, 16-17) endorses 'partnership arrangements' with select NGOs 'in return for more guarantees of the openness and representativity [sic] of the organizations consulted'.

[69] Douglas 1983, p. 155; Minow 2002, pp. 37, 45, 166-7.

[70] Or might not: cf. Goodin 1996.

The secret to making this work lies in good institutional design. The differences must be made actually to complement one another, articulating with one another in such a way as to yield the desired outcome overall. The same is true when trying to ensure democratic accountability of our social institutions, overall, by holding each sector accountable in different but complementary ways.[71]

Devising a recipe specifying the perfect mix of the three accountability regimes is a large task, well beyond the scope of the present paper. Instead, I shall confine myself to specifying (in this section) the different kinds of contributions that can be made by the differing accountability regimes of the three different sectors, and to showing (in the next section) how certain ways of combining the regimes might undermine the distinct contribution that one can make to the mix.

A. The Essential Core: Political Accountability

'Democracy' means, most fundamentally, being 'systematically responsive to the desires and interests of citizens'.[72] The principal political mechanism of democratic accountability is electoral, with politicians being called to account to voters at periodic elections in which the sovereign electorate has an opportunity to sanction them.

That is the 'ultimate' layer of democratic accountability, so to speak. But beneath it are various complementary layers of political accountability within the state sector: the administrative accountability of appointed officials to their elected masters; the legal

[71] I thus echo Minow (2003, p. 36), when she writes, 'Collaborations between governments and private entities — whether for-profit, secular or religious — could introduce accountability tools from the other sectors and thereby improve performance. Yet such collaborations also have the potential to divert the public trust into forms of conduct that already have faulty accountability procedures or use accountability mechanisms inadequate to the public tasks.... At minimum, the accountability framework itself must be public in the source of its norms and in its overarching authority and enforcement power'.

accountability of both appointed and elected officials to the Constitution and courts; the political accountability of all to the Fourth Estate and the court of public opinion, even between elections.[73]

Still, it is the electoral check — and the ultimate subsuming of all within the state sector, and indeed other sectors, to it — that provides the crucial guarantee of *systematic* responsiveness. Other accountability regimes respond more-or-less systematically, to some people's desires and interests more than to others'. But in a political system with an extensive and well-exercised franchise, the electoral check provides the closest thing we have to a guarantee that all citizens' desires and interests will be systematically taken into account. Insofar as they are valued as contributions to *democratic* accountability, other accountability regimes must be seen as mere adjuncts to that — contributing where they can, but strictly subordinate to electoral democracy where they are in conflict with that master accountability regime.

B. Useful Supplements: Market Accountability

The market might also promote systematic responsiveness of a sort to people's desires. The 'might' is a big one, depending as it does on all the familiar conditions of ideal markets and perfect competition (perfect information, no market power, no externalities and so on). Still, under those ideal conditions markets can be proven to be maximally responsive to people's desires overall.

Of course, markets only respond to 'effective demand', desires backed by money. The market's rule is 'one dollar, one vote', rather than 'one person, one vote'. So if we are trusting

[72] In May's (1978) useful formulation.
[73] Goodin 2000.

to markets to produce democratic-like outcomes for us, we need to equalize people's capacities to make their demand effective. One way to do that, without redistributing money itself, is to create separate currencies useable only for the purchase of particular goods: school vouchers, housing rebates, public health insurance and so on.[74]

Other ways to harness the power of the market as an adjunct in the democratic project of ensuring systematic responsiveness to people's desires and interests are to introduce 'internal markets' into the operation of government itself or to contract-out public services to private providers subject to market discipline.[75]

The purchasers, in these cases, are public officials, subject ultimately (if often very indirectly) to the political discipline of the ballot box. Assuming they are able to specify the goods and services they are buying relatively precisely and to monitor the quality of the goods and services received relatively effectively (big assumptions!), then imposing the discipline of the market on providers of those goods and services would (at least under ideal market conditions) contribute to making the outputs of government more systematically responsive the desires of public officials and through them (making some heroic assumptions again, this time about political responsiveness) to the interests and desires of citizens overall.[76]

Of course, the stipulated conditions will almost never be met perfectly. Contracts are always incomplete; monitoring of contract compliance is never perfect; and for the same reasons we are tempted to contract-out services (i.e., we think private actors are quicker and more creative than public ones), there are good grounds for thinking that private actors are always going to be one step ahead of government officials in finding loopholes in the

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[74] Goodin 2000, p. 4. See further Rose-Ackerman 1983 and Minow 2002 a,b.
[75] Another way, of course, is to contract out whole public functions, such as the Census, to private corporations.
[76] Le Grand 1991.

contracts.[77] Still, those conditions might sometimes be sufficiently closely approximated as to make the market a useful adjunct.

C. The Third-sector Contribution

Those are all familiar ways in which market-based accountabilities might enhance the systematic responsiveness of the state to citizens. Next let us consider other ways, some less familiar, in which the non-profit sector, too, might contribute to democratic accountability.

One way, which *is* familiar (from the writings of everyone from Tocqueville to Habermas), is by helping to mobilize demand for political action.[78] Much ink is spilt extolling some often pretty romanticized virtues of civil society. But to appreciate the present point, one need only recall that, legally, political parties themselves are just another instance of a non-profit corporation. Mobilizing political demands is not something that every non-profit does, but many do. And that is as it should be, democratically. In a democracy, it is highly desirable that political demands emanate from voluntary associations: certainly that, rather than from the state sector; and certainly that, rather than from the market sector alone.

Another way in which the non-profit sector can enhance the systematic responsiveness of the social institutions as a whole to citizen's desires and interests is by doing things that states and markets either cannot or will not. This comes principally in the

[77] Similarly, think about the 'hire/buy' decision. Firms hire employees, rather than buying the products that those employees produce, when it is easier to monitor the quality of their behaviour and inputs than it is to monitor the quality of their outputs (Coase, 1937). Reflecting on that fact ought to lead us to prefer internalizing production of public services within the public sector rather than contracting it out privately to anything larger than a single-person provider. For the same reason those contractors hire employees rather than just subcontracting, so too ought the government hire people to produce those services through the public sector.

[78] Tocqueville 1835, vol. 1, pt. 2, ch. 4; Walzer 1991; Habermas 1996; Offe 2000. How successfully they do so is another matter (Ware 1989, ch. 8).

form of responding to non-standard needs that people cannot afford to satisfy themselves through private markets.

The problem with states is that they operate according to rules. They provide standardized goods and services to people who fall within certain prescribed categories. There is always some element of discretion, but that discretion is usually pretty circumscribed. People with non-standard needs — cases that do not correspond neatly to categorical criteria — are not well catered for by the state. The market can provide tailor-made responses, for a price ('rationing by price', and ability to pay it). But people without the wherewithal to pay cannot get their non-standard needs met in the market. That is where charities have traditionally come to the fore.[79]

Yet another way in which the non-profit sector might help make social institutions systematically responsive to citizens' desires and interests is as an adjunct to the public sector in service delivery. Contracting out public services to for-profit market-based organizations holds out the hope of better effectiveness and efficiency, but the risk that undetectable corners might be cut in quest of profits. Contracting out public services to non-profit organizations avoids that risk, at least (although the absence of the profit motive also cancels any competitive guarantee of effectiveness and efficiency).[80]

There is yet another, potentially more important role that the voluntary sector can play in underwriting the democratic accountability of social institutions as a whole. That is linked directly to the sorts of networks of common concern that, on my account, underwrite accountability within the Third Sector itself. Those selfsame networks can constitute a

[79] Smith and Lipsky 1993, ch. 6.
[80] Hansmann 1980, pp. 843-5. Unless, of course, contracts are awarded on the basis of price alone, in which case non-profits will have as much of an incentive to cut corners as for-profits in order to win the contracts.

'reference group' for public policymakers: a font of information and advice; an evaluative touchstone for policy formulation and transformation.[81]

The key to the cooperative ethos of those networks is mutuality. They are bands of coequals sharing common concerns, none having any formal authority over any other. Government is crucially different in that latter respect, of course; so government agencies probably cannot be part of those networks on exactly the same basis as non-profits themselves. Still, relevant government agencies might have an 'adjunct' standing within those networks, where they are semi-formally organized. And where they are merely informal networks of senior officers of organizations sharing the same substantive concerns, senior officials of the relevant public agencies can and ordinarily would presumably be included in that loop.[82]

This marks a distinctive sort of accountability: 'policy-making accountability', Susan Rose-Ackerman dubs it. She reports strong evidence of it in the drafting and implementation of environmental legislation in the US and Germany, and growing evidence of it in the post-communist regimes of Central and Eastern Europe, under pressure from the European Union to form area-specific Partnership Groups with nonprofit organizations as a precondition of membership in the EU.[83]

This 'reference group for policymakers' function is importantly different from the first-mentioned 'lobby group' function traditionally associated with the voluntary associations of civil society. That first function refers to the mobilization of political demands, in the face of other competing demands. Mobilization is for war, in domestic politics as internationally.

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[81] Something of this is captured in discussions of the role of 'epistemic communities' in policymaking (Haas 1989; 1992), though the contribution here envisaged for Third Sector networks extends well beyond epistemic issues, and crucially including advice based on the shared norms, values, principles and commitments pervading the network.

[82] 'Revolving doors' also contribute: '[T]he recruitment of former managers of nonprofit agencies to high level public service positions has contributed to the homogenization of views between the two sectors... At the same time as they persuade their former colleagues in the private sector of the need for government priorities.., they seek to ameliorate government policy in directions favored by voluntary agencies' (Smith and Lipsky 1993, p. 145).

Whereas the dominant ethos of 'lobbying' is essentially competitive, the dominant ethos of network-based reference groups is essentially cooperative, at least within the network. (Different networks of course compete with one another, in pushing their particular barrows.) Networks unite people and organizations sharing common concerns and values, on a voluntary basis. Mutuality prevails, as each internalizes the perspective of the others. Differences of opinion exist within the network, of course. But assured that they are all aiming at the same goal, participants in networks respect one another's opinions, explore the bases for their differences and try in good faith to resolve them.[84]

This is of course an idealized story about what might happen within the sorts of networks that link non-profits and hold them accountable. A fuller and more realistic account would require, at the more macro-level, lots of detailed case studies exploring how disparate groups with partially overlapping (but partially diverging) interests, goals and fundamental values come together in pursuit of the partial goals that they do share. How are shared norms socially constructed by and within such networks? That is an important topic for further research.[85] At the more mirco-level, we need lots of detailed case studies of how individuals within those networks come to internalize such norms and adjust their self-appraisals in light of them.[86] The personal phenomenology of life within such networks needs to be explored much more fully.[87]

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[83] Rose-Ackerman 1995; 2003. EU Commission 2001.
[84] March and Olsen 1995, ch. 2.
[85] The chapters in Fox and Brown (1998) make a good start at this task.
[86] Such as Bates (2000).
[87] An excellent start is Mansbridge's (1995, pp. 27-9) account of what it is to feel oneself 'internally accountable'

> to the feminist movement: 'The entity ... to which they feel accountable is neither na aggregation of organizations nor an aggregation of individual members but a discourse. It is a set of changing, contested aspirations and understandings that provide conscious goals, cognitive backing and emotional support for each individual's evolving feminist identity.... The discursively created movement is what the people in the movement say it is, what is taken up and held to be feminism.... [T]he discursive process is always collective... The "movement" is made up of women figuring out and telling one another what they think makes sense, and what they think can explain and help crack the gender domination that they feel and are beginning to understand. I argue that this discursively created movement is the entity that inspires movement activists and is the entity to which they feel accountable'. Something like this seems true of life within 'issue networks' more generally (Mansbridge, 1992: 39-40).

Those are large and important tasks, for later occasions. For now, however, it just bears emphasizing that sort of mutual accountability through networks of significant others can happen only (or anyway best) among non-profits than among organizations in the other two sectors. Mutuality of the sort that lies at the heart of this network ethos presumes a voluntary band of co-equals. It assumes that none have authority over the other (as in a state's hierarchy) and that they are free from competitive pressures (as are found in markets) to cooperate in good faith with one another. This is thus a unique contribution that the Third Sector can offer toward helping public policy a more effective response to citizens' needs, interests and aspirations.

Realistically, too, it is important not to romanticize networks. While they <u>can</u> be collaborations in pursuit of true public goods, they can also be conspiracies against the public (as in the case of oligopolies[88]) or cozy cabals covering one another's incompetence.[89] It is by no means analytic that networks of the sorts I have been discussing necessarily promote the public good. Whilst fully acknowledging that fact, we can nonetheless say that there are certain sorts of public goods that can only be promoted by groups connected in such ways. That such networks exist is a necessary, if not sufficient, condition of promoting those public goods.

<u>VI. Compromising Mutual Accountability: Public-Private Partnerships</u>

Around the world, the move is now toward a blurring and blending of the three traditional sectors.

[88] Nicholson 1972.

[89] 'An inbred group ... prey to lapses in judgement', as Brody (2002, p. 478) describes how interlocking directorates facilitated the spread of the 'Foundation for New Era Philanthropy' scam through Philadelphia's non-profit sector.

> In the old order, business, government and charitable enterprise all had their particular places, and although there was much interaction among them, they remained relatively distinct in organizational terms, in motivational values, in their sources of support and in the work they carried out. That appears to be changing now ... [with] the emergence of a 'new governance' ... approach to solving public problems. The heart of this approach is an emphasis not on the differences among the sectors, but on the opportunities for collaboration among them. ... [T]he new clarion call is 'whatever works' — a non-formulaic, non-legalistic, non-political, non-categorical approach to getting the job done (Young and Salamon, 2002: 439-40).

But as the old saw has it, 'Britain and America are two countries divided by a common language'. Australia makes it three. The phrase 'public-private partnership' refers to importantly different phenomena in different corners of the world. To make sense of differing reactions to that phrase, we have to remember where people are coming from and what the phrase paradigmatically refers to in popular political discourse there.[90]

In the US, it now seems to refer principally to the delivery of public services (education, substance-abuse, health services, etc.) by private (profit and especially non-profit) organizations, most interestingly and contentiously of a faith-based sort, on a capitation or fee-for-service basis that has them competing with one another for clients (students, substance abusers, patients, etc.). Service providers accrue government funding largely on the basis of client choices rather than on the basis of competitive tendering for contracts providing blocks of funding from government. School vouchers and Medicare reimbursements are paradigm cases.[91]

In Britain, in contrast, current discourse concerning 'public-private partnership' refers principally to strategies to employ private finance for capital-intensive public-works projects.

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[90] Of course, all of these phenomena are found in all countries. It really is just an issue of where the focus of present political attention primarily falls.

[91] Minow 2002; 2003; Grønbjerg and Salamon 2002, pp. 454-6. Lyons and Chan (1999, p. 3) remark upon this important difference between American- and Australian-style contracting out of public services. There is certainly that difference between those countries in the rhetorical focus in debates over contracting out of public services, anyway: in reality, the US also contracts with non-profits to provide substantial blocks of funds for specific purposes (Smith and Lipsky 1993, ch. 7), and increasingly so in the wake of the 1996 welfare reforms (Smith 2002, pp. 165-6; DeHoog and Salamon 2002, pp. 323-4).

[92] An example would be a public hospital constructed with private capital then being leased by the National Health Service on a long-term basis.[93]

In Australia, in contrast yet again, 'public-private "partnership"' refers principally to competitive tendering across all sectors (public and private, for-profit and non-profit) for contracts providing block grants to deliver public services. Most conspicuously and contentiously among them are employment services of the sort that used to be provided exclusively by the state employment service.[94]

Obviously, these are three fundamentally different policies, travelling under similar names. I desist from remarking further here on the proper place of either piety or private capital in the discharge of public functions.[95] I shall concentrate here exclusively on the latter sort of public-private partnership, typified by Australian contracting out of public services to both private for-profit and non-profit organizations through a process of competitive tendering.

Any sort of contracting-out of public services gives rise to a plethora of accountability issues. In sub-contracting relationships of any sort, there is always the question over to what extent principals are responsible or accountable for the actions of their agents.[96] There is also the risk of 'a government ... try[ing] to perform an end-run around [its] obligations by delegating tasks to an entity not covered by those provisions' (Minow, 2003: 38; cf. 2002: 252-3). The obligations of confidentiality in contract law can get seriously in the way of

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[92] Likewise in France (Amsier, 1995).

[93] Le Grand et al. 1997. Freedland 1998. Commission on Public Private Partnerships 2001. See more generally the publications of the Institute of Public Policy Research, which is making much of the running in this area (http://www.ippr.org.uk/research/index.php?current=21&detail=publications). On France, similarly, see Amsier 1995. Of course, a lot of earlier Thatcher-era privatization involved contracting-out, much of which continues under her successors.

[94] Vanstone 1996. See further Lyons and Chan 1999; Eardley et al. 2001; Considine 2001; 2002; Considine and Lewis 1999.

[95] Although that phrasing itself doubtless conveys my skepticism. Those who aspire to co-opt private capital would do well to recall both the experience of medieval princes (Levi 1988) and the problems that private capital already pose to democracy (Finer 1955; Lindblom 1977). And 'ability to pray' seems to me as bad a criterion for rationing essential social services as is 'ability to pay' (as I think even Geoff Brennan, the father of the former phrase, would agree).

[96] Mulgan 1997. Palmer 2002. Minow 2002; 2003. Posner 2002.

public accountability for contracted-out services. 'Commercial-in-confidence' clauses can be used to shield from public scrutiny actions done by private contractors, with public money and on behalf of the government: the executive would have been answerable to Parliament for those actions, if done by government itself; but it now pretends to be immune from parliamentary scrutiny, because they were done through some third party with contractual guarantees of confidentiality.[97]

Those are not inevitable necessities built into the internal logic of contracting out, of course. A government not cynically committed to shielding its actions from public scrutiny would merely need to write appropriate publicity provisions into the terms of the contract. Still, they do serve as salutary warnings of the dangers that might always arise in trying to blend together accountability regimes across all three sectors. Those examples should furthermore serve to remind us that, in cases of conflict, the accountability regime of the public sector is the one that ought prevail: there are other ways to make social institutions accountable, but that is ultimately the only way to make them *democratically* accountable.[98]

My focus here is on yet another way in which blending the accountability regimes of the three sectors can be counterproductive. My particular focus is on the competitive form of contracting-out involved in competitive-tendering regimes.[99] My claim is that that competition threatens to destroy what is distinctive about non-profits — thus undermining

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[97] Australia Senate Finance Committee 2001. Minow reinforces the general point: 'a government should not try to perform an end-run around [its] obligations by delegating tasks to an entity not covered by those provisions' (Minow 2003, p. 38; cf. 2002, pp. 252-3).

[98] There is also a case to be made for the primacy of the state sector's accountability regime, on efficiency grounds: Besley and Ghatak (2001) have recently proven that, in public-private partnerships more generally (of which the contracted-out provision of public services is merely one instance), the maximization of social welfare requires that control of the joint venture remain with whichever party values the public good being produced most highly. Certainly as regards public partnerships with for-profit providers, that must surely mean government. (Whether government or non-profits care more about the public good being provided is presumably a more open question.)

[99] There are other ways of contracting-out public services that are less competitive. Other ('negotiation' or 'cooperation') sorts of contracting-out practices involve more 'relational contracting', forging enduring links between public agencies and preferred suppliers over repeated interactions, thus forging rather than destroying the sorts of network accountabilities discussed above. Although recent Australian practice (or, anyway, rhetoric) has decisively favoured the competitive-tendering style of competitive

their distinctive accountability regime and eliminating the distinctive contribution it could have made to the overall accountability mix across society as a whole.

It is a common worry, among non-profits, that simply taking public money makes them susceptible to political control, diminishing their independence.[100] And a *sine qua non* for one institution to hold another to account is that the first institution must be genuinely independent of the second. Courtiers cannot hold their king accountable. Neither can clients genuinely hold their patrons accountable, in a system of clientilistic politics.

It is also a common worry, among non-profits, that simply performing tasks of the government's choosing — even if they do not become particularly dependent on the government, financially, in the process — subtly changes the organization's priorities, management structures and fundamental ethos. There is evidence of this, too.[101]

All that is true and important. But my real focus here is on something else: (a) the competition between non-profits that these arrangements induce[102]; and (b) the terms that govern that competition, particularly when for-profits are also free to compete.

The effect of the latter feature of Australian-style competitive tendering for contracted-out public services is easier to see. With both for-profits and non-profits responding to the same tender briefs, and with rules of fair competition governing the tendering process, non-profits are becoming increasingly like for-profits. They do the same things, in the same ways: and they simply cannot help it, if they want to participate in the tendering process at all; there is after all a monopsony, with the government as sole buyer.[103]

contracting-out, those other forms are more requently found in contracted-out personal social services in the US, for example (DeHoog and Salamon 2002).

[100] For example, 'Twenty-eight percent of Head Start programs are nonprofit organizations with almost 100 percent public funding' (Rose-Ackerman 1996, p. 717). See more generally Smith and Lipsky 1993.

[101] DiMaggio and Powell 1983, pp. 150-4. Smith 1993, pp. 95-9. Smith and Lipsky 1993, ch. 9.

[102] Evidence of which is found in the US as well (Young and Salamon 2002, pp. 426-8; Smith 2002, pp. 165-6).

[103] Evidence from Australia of this is found in an analysis of interviews with staff at both non-profit and private-sector employment agencies operating under contract from the government's Job Network: instead of the clear differences of styles that should be expected, Lyons and Chan (1999) found no systematic differences between the two sectors; rather, there were clear indications of convergence of operational

Non-profits become 'for-profits in disguise', not out of a desire to deceive but out of necessity.[104] Non-profits thus lose their motivational distinctiveness, as they are increasingly obliged to install executive officers selected for managerial prowess rather than commitment to the cause and as volunteers no longer see the point in doing for free what others are paid to do.[105] All that reinforces the sorts of concerns that non-profits already have with reliance on public money.

It is the first feature, however, that I find more worrying. By pitting non-profits in competition with other non-profits, the Australian-style competitive tendering process destroys what I have suggested can be the distinctive accountability regime of the non-profit sector. The networks of mutuality, and their potential contributions to the policy process, are predicated on cooperative relations among a band of equals, who neither have authority over one another (as in the state) nor are in competition with one another (as in the market).[106]

Introducing competitive tendering introduces market principles into the service delivery process. That is its whole point. Some, I among them, would enter a blanket protest against the promiscuity of market principles quite generally, intruding into all sorts of realms where they do not belong. But in protesting, we owe people some account of what makes market principles 'not belong' in certain realms.

That is just what my account of the essentially cooperative nature of non-profit accountability structures provides. Markets are by their nature competitive; and competition

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styles and practices between the two sectors in response to the common exigencies of competition in the new market. See also Eardley et al. 2001, pp. 22-3; Considine and Lewis 1999.

[104] In Burton Weisbrod's phrase, quoted in Rose-Ackerman (1996, p. 721, 724), who elaborates: 'If the government promulgates uniform accountability standards for all participating firms, and if most controls apply to the entire institution, not just to subsidized clients, then public money becomes the primary determinant of performance. Organizational form may become irrelevant'.

[105] See, respectively, Brennan (1996) and Goodin (1980) in general; and on non-profits more particularly, see Minow (2002, pp. 23-4, 41-5), Young and Salamon (2002, pp. 436-9) and Smith and Lipsky (1993, pp. 111-4). On the social prerequisites of volunteering more generally, see Alexander (1987).

[106] Or, rather, 'who neither have *complete* authority over one another nor are *completely* in competition with one another'. Networks arise among more-or-less wary members in both the state and market sectors power and authority relations and conflicts of interests fall short of that.

by its nature undermines cooperation.[107] In so doing, it undermines the essential element of the Third Sector's distinctive accountability regime, and the contribution that that can make toward the democratic accountability of social institutions overall.[108]

Important though such mutual monitoring among a band of well-intentioned coequals may be as a supplement to the accountability regime of electoral democracy, it can never replace it. Imagine a world in which all government functions (except that of letting the contracts itself) were contracted out; and imagine that were done in some thoroughly noncompetitive way, so none of this mutuality among contractors is compromised. We would not think that their continuing to enjoy the high esteem of one another would be wholly sufficient to underwrite the accountability of the service delivery system, in any remotely democratic sense. Just as we must not sacrifice the Third Sector's distinctive accountability regime to that of the quasi-competitive market, so too all the more must we not let either of those undermine the ultimate electoral check that makes any system of accountability a plausibly democratic one.

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[107] Except of course cooperation among cliques in conspiracy against, in or in competition with others: 'conspiracies in restraint of trade', in the traditional phrase offered in critique of oligopolistic cooperation (Nicholson 1972).

[108] Note well, once again: this is not an argument against contracting-out public services, as such. It is merely an argument against doing so on a competitive tendering-style basis. Other styles of contracting — DeHoog's (1990) 'negotiation' or 'cooperative' — are much more consistent with and conducive to fostering network-based accountabilities. But for all the standard reasons, we are presumably much more comfortable with government forming such sweetheart deals with non-profits than with for-profit firms. This in turn suggests that, if we want to secure the efficiencies of contracting-out without losing the accountabilities that come with effective networking, we ought confine contracting-out to non-profit organizations. Some of course might say that there are vastly greater efficiencies coming from fiercely competitive tendering involving both non-profits and for-profits, which would be worth the loss of this particular contribution to the social mix of accountability mechanisms. That is an open question, involving magnitudes on the one side and values on the other.

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